

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated growth of 3.8% in the fourth quarter of 2004, compared with growth of 4.0% in the third quarter. On an annual basis, inflation-adjusted GDP rose 4.4% in 2004, after increasing 3.0% in 2003. Private domestic investment increased in every major category, with total investment rising from a 2.4% annual rate in the third quarter to a 13.3% annual rate in the fourth quarter. The investment gains more than offset the dampening effects of slower consumption growth, slower growth in government activity, and a substantial worsening of net exports.
- The **U.S. Consumer Price Index (CPI)** rose at an annual rate of 4.5% in February, and was 2.9% above the level one year ago. Virtually all of the increase in the CPI was due to higher energy prices, particularly for petroleum-based energy. Significant increases in prices for shelter and medical care also more than offset declines in apparel prices.
- Compared with January, **industrial production** grew at an annual rate of 4.2% in February and was 3.5% above February 2004. Automotive products, computer/electronic products, and defense/space equipment exhibited the largest increases in output, while utilities and energy producers also posted strong gains. Output fell in nonmanufacturing industries, particularly textile mills and apparel.
- **Housing starts** increased only 0.5% between January and February, but were 15.8% above the level in February 2004. Unlike in January, when starts in the South accounted for most of the increase, in February housing starts increased in the other three regions of the country and fell slightly in the South. Despite the decline in housing starts in the South, starts remained strong in the region, with starts at the second highest level since February 1984.



- **Average weekly earnings** exhibited mixed results in February, with several significant sectors reporting declines as large as 4.6% compared with year-ago levels. However, some sectors, such as information (where earnings were up 9.8% above February 2004), exhibited strong growth. Several sectors reported lower average weekly hours, compared with year-ago levels, but higher earnings, a potential inflationary indicator. Examples include the retail sector (where hours declined 1.4% but earnings rose 5.4%), professional/business services (where hours fell 1.7% but earnings grew 4.0%), and financial activities (where hours were 4.6% lower but earnings were 4.8% higher).
- The Michigan **unemployment rate** rose from 7.1% in January to 7.5% in February, the same level as December 2004. Although employment rose by a modest 2,000 jobs and was 17,000 jobs above the level a year ago, the size of the labor force increased even more, thus pushing up the unemployment rate.
- **Revenue from major taxes** fell 14.2% below year-ago levels in March, largely reflecting more rapid processing of income tax refunds, although both sales taxes and income tax withholding were below year-ago levels.



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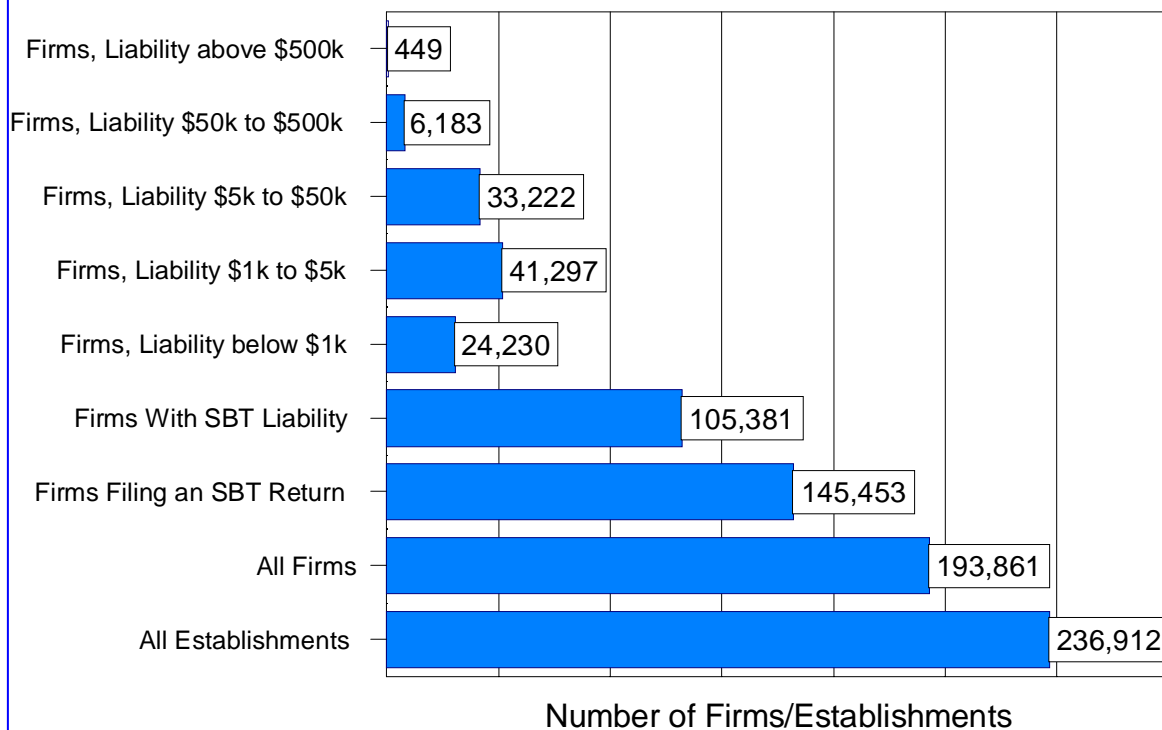
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Mar. 2005	Feb. 2005	Mar. 2004	Change from Feb.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	148,157	148,132	146,737	25	0.0%	1,420	1.0%
Employment	140,501	140,144	138,408	357	0.3	2,093	1.5
Unemployment	7,656	7,988	8,330	(332)	(4.2)	(674)	(8.1)
Unemployment Rate	5.2%	5.4%	5.7%	---	---	---	---

Michigan	Feb. 2005	Jan. 2005	Feb. 2004	Change from Jan.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,111	5,087	5,067	24	0.5%	43	0.9%
Employment	4,730	4,728	4,713	2	0.0	17	0.4
Unemployment	381	359	355	22	6.1	26	7.3
Unemployment Rate	7.5%	7.1%	7.0%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Most Businesses in Michigan Pay Little, if Any, Single Business Tax



Source: 2000 data from Michigan Dept. of Treasury and U.S. Bureau of Census

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Feb. 2005*	Jan. 2005	Feb. 2004	<u>Change from Jan.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,387	4,376	4,395	10	0%	(8)	(0)%
Goods Producing Industries	889	881	901	8	1	(12)	(1)
Natural Resources & Mining	8	8	8	0	1	0	1
Construction	191	192	191	(1)	(0)	1	0
Manufacturing	690	681	703	9	1	(13)	(2)
Transportation Equipment	255	246	264	8	3	(9)	(4)
Service Producing Industries	3,498	3,495	3,494	3	0	4	0
Trade, Transportation & Utilities	814	815	812	(1)	(0)	2	0
Information	66	67	69	(0)	(0)	(2)	(3)
Financial Activities	218	218	216	(0)	(0)	2	1
Professional & Business Services	573	572	580	2	0	(7)	(1)
Education & Health Services	552	555	552	(3)	(1)	0	0
Leisure & Hospitality Services	406	403	404	3	1	2	0
Other Services	179	178	179	1	0	(0)	(0)
Government	689	687	681	2	0	8	1

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Feb. 2005	Year Ago	Percent Change	Feb. 2005	Year Ago	Percent Change
Construction	36.6	36.3	0.8%	810.69	803.74	0.9%
Manufacturing	41.2	42.5	(3.1)	896.92	921.40	(2.7)
Durable Goods	42.0	43.3	(3.0)	976.92	1,003.26	(2.6)
Motor Vehicle Manufacturing	43.3	42.6	1.6	1,333.64	1,312.08	1.6
Motor Vehicle Parts Manufacturing	43.6	45.9	(5.0)	1,208.59	1,267.30	(4.6)
Nondurable Goods	38.1	39.2	(2.8)	577.60	584.08	(1.1)
Wholesale Trade	36.7	37.9	(3.2)	705.74	715.17	(1.3)
Retail Trade	28.8	29.2	(1.4)	344.16	326.46	5.4
Grocery Stores	24.8	25.0	(0.8)	219.98	225.25	(2.3)
General Merchandise Stores	28.1	28.0	0.4	290.84	283.64	2.5
Information	35.6	33.8	5.3	614.10	559.05	9.8
Financial Activities	33.2	34.8	(4.6)	560.42	534.88	4.8
Prof. & Business Services	34.5	35.1	(1.7)	611.00	587.22	4.0
Health Care & Social Assistance	34.6	34.5	0.3	539.76	539.58	0.0
Leisure & Hospitality	22.3	22.2	0.5	179.96	180.49	(0.3)
Auto. Repair & Maintenance	34.6	35.2	(1.7)	534.22	556.86	(4.1)
Personal & Laundry Services	26.1	26.6	(1.9)	320.77	340.21	(5.7)

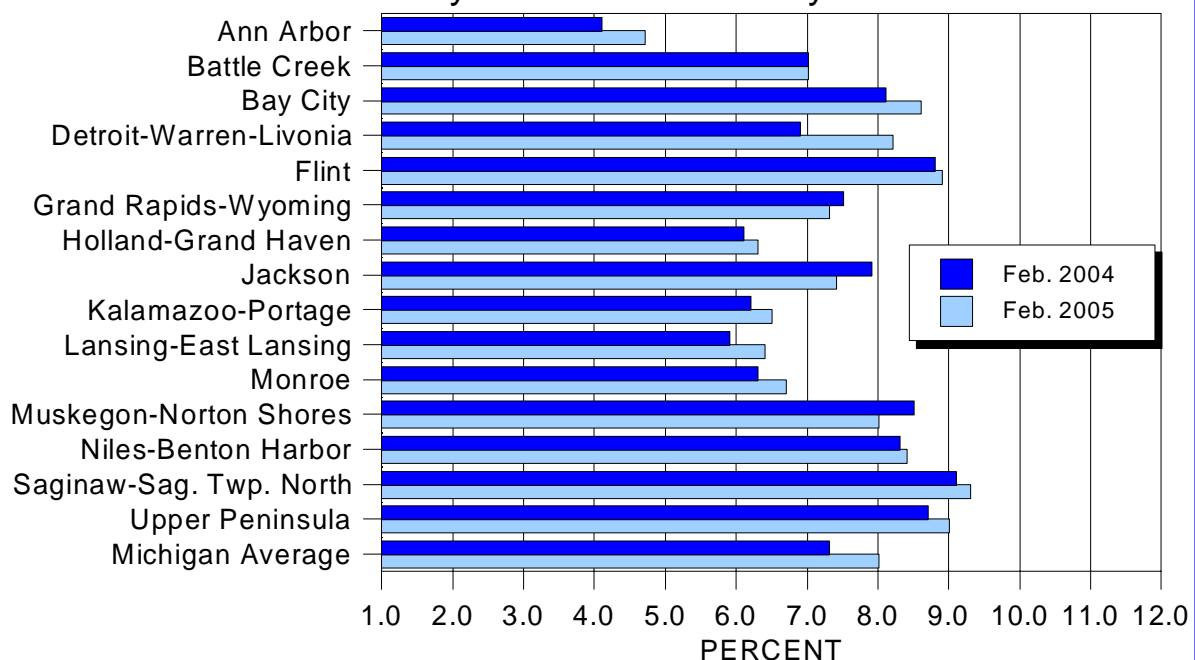
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Feb. 2005*	Jan. 2005	Dec. 2004	Feb. 2004
Metropolitan Statistical Areas				
Ann Arbor	4.7%	5.0%	4.5%	4.1%
Battle Creek	7.0	7.2	6.5	7.0
Bay City	8.6	8.8	7.5	8.1
Detroit-Warren-Livonia	8.2	7.9	7.0	6.9
Flint	8.9	9.1	8.0	8.8
Grand Rapids-Wyoming	7.3	7.3	6.8	7.5
Holland-Grand Haven	6.3	6.3	5.8	6.1
Jackson	7.4	7.7	7.0	7.9
Kalamazoo-Portage	6.5	6.7	6.3	6.2
Lansing-East Lansing	6.4	6.7	6.0	5.9
Monroe	6.7	7.1	6.1	6.3
Muskegon-Norton Shores	8.0	8.1	7.5	8.5
Niles-Benton Harbor	8.4	8.5	7.8	8.3
Saginaw-Saginaw Twp North	9.3	9.5	8.3	9.1
Multi-County Areas				
Northeast Lower Michigan	11.9	11.8	10.2	11.9
Northwest Lower Michigan	9.3	9.3	8.3	9.0
Upper Peninsula	9.0	9.1	8.1	8.7
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	8.0	7.9	7.1	7.3
Source: Michigan Department of Labor and Economic Growth				*Preliminary.

Michigan Regional Unemployment Rates

February 2004 and February 2005



Source: Michigan Department of Labor and Economic Growth

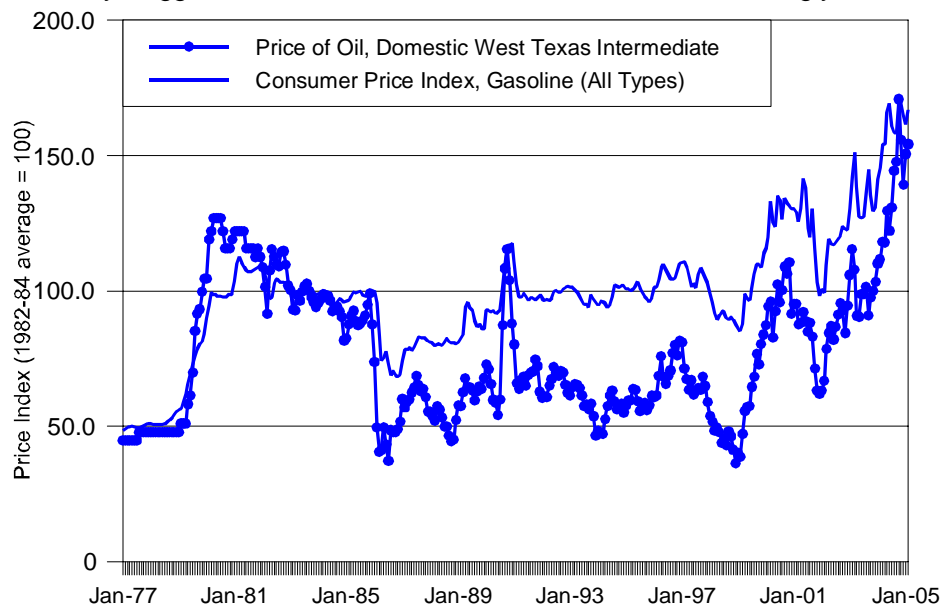
**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

						Percent Change From:	
	Feb. 2005	Jan. 2005	Dec. 2004	Nov. 2004	Year Ago Feb.	Feb./Jan.	Feb. 2005/ Feb. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,380	7,411	8,293	7,401	7,464	(0.4)%	(1.1)%
Domestics	5,250	5,390	5,946	5,177	5,377	(2.6)	(2.4)
Imports	2,130	2,021	2,347	2,224	2,087	5.4	2.1
Import Share	28.9%	27.3%	28.3%	30.0%	28.0%	---	---
Light Trucks	8,891	8,770	10,053	9,007	9,011	1.4	(1.3)
Domestics	7,643	7,587	8,692	7,776	7,789	0.7	(1.9)
Imports	1,248	1,183	1,361	1,231	1,222	5.5	2.1
Import Share	14.0%	13.5%	13.5%	13.7%	13.6%	---	---
Heavy Trucks	496	542	527	460	407	(8.5)	21.9
Total	16,767	16,723	18,873	16,868	16,882	0.3	(0.7)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,556	4,374	4,315	4,061	4,474	.2 ⁴	.9 ¹
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,334	1,236	1,415	1,045	1,426	7.9	(6.4)
Trucks	1,383	1,331	1,542	1,457	1,290	3.9	7.2
Total	2,717	2,567	2,957	2,502	2,716	5.8	0.0
Michigan Production as % of U.S.	22.5%	21.3%	23.7%	21.7%	22.8%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,602	1,589	1,589	1,620	1,663	0.8	(3.7)
Days Supply	77	64	64	73	85	20.3	(9.4)
Total Truck	2,387	2,327	2,327	2,409	2,237	2.6	6.7
Days Supply	102	72	72	87	95	41.7	7.4

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

Oil Prices Rising Faster Than Gasoline Prices

History Suggests Gas Prices Don't Follow Declines in Oil Strongly Either



Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Mar.	134.5	133.7	133.5	0.6	0.7
Coincident Index ¹⁾ (1992=100)	Feb.	145.9	145.7	140.7	0.1	3.7
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Feb.	2,195	2,183	1,895	0.5	15.8
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Feb.	\$317.7	\$316.3	\$295.0	0.4	7.7
Industrial Production Index 3) (1997=100, seasonally adjusted)	Feb.	118.4	118.0	114.4	0.3	3.5
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Feb.	79.4	79.2	77.7	0.2	2.2
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Feb.	192.0	191.3	186.5	4.5	2.9
Detroit (not seasonally adjusted)	Feb.	187.8	185.3	183.4	8.4	2.4
Interest Rates						
3-month Treasury Bill ³⁾	Mar.	2.75%	2.53%	0.94%	---	---
Corporate Aaa Bonds ³⁾	Mar.	5.40%	5.20%	5.33%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2004 4 th Qtr.	\$10,994.3	\$10,891.0	\$10,580.7	3.8	3.9
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Mar	\$970.4	\$1,011.9	\$1,131.0	NM	(14.2)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

